

Message Text

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ACTION EB-08

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C O N F I D E N T I A L SECTION 1 OF 2 TAIPEI 1035

E.O. 11652: GDS
TAGS: ETRD, TW
SUBJECT: US-ROC TEXTILE NEGOTIATIONS

REF: TAIPEI 0968, TAIPEI 0891

1. DCM MET WITH VICE MINISTER OF FOREIGN AFFAIRS
FREDERICK F. CHIEN FEBRUARY 20, AT CHIEN'S REQUEST, TO
DISCUSS FORTHCOMING US-ROC TEXTILE NEGOTIATIONS. CHIEN
STATED THAT ROC ATTACHES GREAT IMPORTANCE TO REACHING
AGREEMENT WITH US SINCE STRONG TEXTILE INDUSTRY IS VITAL
TO ECONOMIC WELL-BEING OF ROC. ROC IS NOT ASKING FOR MORE
THAN WE GAVE HONG KONG AND KOREA BUT IT DOES NOT WANT TO BE
RDIKRVC##AGAINST EITHER. AT CONCLUSION OF MEETING
CHIEN GAVE DCM PAPER ENTITLED "ORAL STATEMENT" IN WHICH
ROC POSITION IS SPELLED OUT. TEXT OF STATEMENT FOLLOWS:
QUOTE. IN THE FIRST TWO ROUND OF THE SINO-AMERICAN TEXTILE
AGREEMENT NEGOTIATIONS THE TWO GOVERNMENTS REACHED SOME
AGREEMENTS ON LESS-IMPORTANT ITEMS, BUT FAILED TO REACH
AGREEMENT ON FOUR SENSITIVE ITEMS, NAMELY SYNTHETIC FIBER
KNIT SHIRTS (CATEGORIES 638/639) AND SYNTHETIC FIBER
SWEATERS (CATEGORIES 645/646). THE FAILURE OF AGREEMENT
WAS MAINLY DUE TO THE INSISTENCE OF THE AMERICAN DELE-
GATION IN NOT ONLY REFUSING ANY INCREASE IN THE QUOTAS
FOR THESE FOUR CATEGORIES WITHIN THE NEXT FIVE YEARS
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BUT ALSO DEMANDING CERTAIN ROLL-BACKS FROM THE ORIGINAL
QUOTAS. OBVIOUSLY, THE UNITED STATES HAS BEEN TRYING
TO GIVE THE REPUBLIC OF CHINA A DISCRIMINATORY TREATMENT
AS COMPARED WITH THE TREATMENT ACCORDED TO HONG KONG OR
KOREA.

--THE AGREEMENTS THE U.S. REACHED WITH HONG KONG AND KOREA PROVIDE THE FOLLOWING: IN RESPECT OF CATEGORIES 638/639, HONG KONG WILL ENJOY ANNUAL GROWTH RATES OF 3.41 PERCENT, 3.42 PERCENT, 3.43 PERCENT AND 4.44 IN THE FOUR YEARS STARTING FROM 1979, RESPECTIVELY; AND THE AGGREGATE VOLUME IN FIVE YEARS WILL BE ALLOWED TO INCREASE BY 35.39 PERCENT FROM THE ORIGINAL QUOTA. KOREA WILL ENJOY ANNUAL GROWTH RATES OF 1 PERCENT, 3.9 PERCENT, 3.9 PERCENT AND 3.9 PERCENT IN THE SAME PERIOD, AND THE AGGREGATE VOLUME IN FIVE YEARS WILL BE ALLOWED TO INCREASE BY 28.25 PERCENT. IN RESPECT OF CATEGORIES 645/646, KOREA WILL ENJOY THE SAME GROWTH RATES, WHILE THE GROWTH RATES FOR HONG KONG ARE YET TO BE WORKED OUT.

--THE QUOTA FOR THE PRODUCTS OF THESE FOUR CATEGORIES FROM THE REPUBLIC OF CHINA WAS 250,000,000 SQUARE YARDS FOR 1977, AND THE ACTUAL EXPORT OF THESE PRODUCTS VALUED AT A TOTAL OF \$370,000,000. ABOUT SEVEN HUNDRED FACTORIES IN THE PROVINCE OF TAIWAN WITH AN EMPLOYMENT OF MORE THAN 300,000 WORKERS ARE INVOLVED IN THIS BUSINESS. IT IS EVIDENT THAT SUCH A HARSH ARRANGEMENT AS PROPOSED BY THE UNITED STATES DELEGATION, IF ADOPTED, WOULD INEVITABLY HAVE A SERIOUS IMPACT ON THE ECONOMY OF THE REPUBLIC OF CHINA.

--IN THE PAST DECADE, THE TEXTILE AGREEMENT NEGOTIATIONS BETWEEN THE REPUBLIC OF CHINA AND THE U.S. HAD CONFIDENTIAL

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ALWAYS BEEN SMOOTH, BASED ON MUTUAL UNDERSTANDING AND COOPERATION. THE REPUBLIC OF CHINA WAS THE FIRST COUNTRY TO SIGN THE TEXTILE AGREEMENTS WITH THE UNITED STATES. IN THE TWO ROUNDS OF THE CURRENT TALKS THE CHINESE GOVERNMENT SOUGHT NO FAVORS OTHER THAN WHAT THE UNITED STATES HAD ALREADY AGREED TO HONG KONG AND KOREA. THE CHINESE GOVERNMENT IS FULLY AWARE OF THE PRESSURE THE U.S. GOVERNMENT IS UNDER, AND THEREFORE EXPRESSED ITS AGREEMENT TO THE ORIGINAL U.S. POSITION THAT THERE WOULD BE NO INCREASE IN THE QUOTAS FOR THESE FOUR SENSITIVE CATEGORIES, BUT THERE WOULD BE NO ROLL-BACKS EITHER, WITHIN THE NEXT FIVE YEARS. THE CHINESE DELEGATION ALSO TOOK THE POSITION THAT THE LOSS CAUSED BY THE LACK OF ANNUAL GROWTH IN THESE FOUR CATEGORIES BE REASONABLY COMPENSATED IN OTHER CATEGORIES. THIS PROPOSAL OF THE CHINESE SIDE WAS, IN EFFECT, ESSENTIALLY SIMILAR TO THE ORIGINAL POSITION THE AMERICAN DELEGATION MADE DURING THE FIRST ROUND OF THE TALK TAKING PLACE IN WASHINGTON D.C. HOWEVER, IN THE SECOND ROUND OF THE TALKS THE U.S. DELEGATION DEMANDED 6 PERCENT AND 2 PERCENT ROLL-BACKS FOR CATEGORIES 638/639 AND 645/646,

RESPECTIVELY. THIS UNEXPECTED REVERSAL OF U.S. POSITION HAS CAUSED SERIOUS DIFFICULTY TO THE EARLY CONCLUSION OF THE NEGOTIATIONS AND HAS AROUSED GRAVE CONCERN TO THE GOVERNMENT AND MANUFACTURERS OF THE REPUBLIC OF CHINA.

NOTE BY OC/T: ##AS RECEIVED.

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C O N F I D E N T I A L SECTION 2 OF 2 TAIPEI 1035

--THE CHINESE GOVERNMENT WOULD LIKE TO MAKE CLEAR ITS BASIC POSITION WITH REGARD TO THESE TALKS, THAT IT IS WILLING TO ACCEPT ANY U.S. PROPOSAL WHICH IS COMPATIBLE TO THE CONDITIONS CONTAINED IN THE U.S.-HONG KONG OR U.S.-KOREAN AGREEMENT. SHOULD THE U.S. GOVERNMENT INSIST ON ROLL-BACKS IN THE SENSITIVE CATEGORIES, THE CHINESE GOVERNMENT WOULD BE IN A POSITION TO COOPERATE, PROVIDED THAT MEANINGFUL COMPENSATIONS WOULD BE MADE IN OTHER CATEGORIES. IT IS SINCERELY HOPED THAT THE U.S. GOVERNMENT WILL GIVE FAVORABLE CONSIDERATION TO THE FOREGOING SO THAT A NEW TEXTILE AGREEMENT CAN BE CONCLUDED AT AN EARLY DATE TO THE MUTUAL BENEFIT OF THE TWO COUNTRIES. END QUOTE.

2. CHIEN SAID NOTHING THAT HAS NOT BEEN SAID PREVIOUSLY BY VICE MINISTER OF ECONOMIC AFFAIRS Y. T. WONG AND TAIWAN TEXTILE FEDERATION. ROC STILL IS PREPARED TO ACCEPT ROLLBACK IN FOUR SENSITIVE CATEGORIES IF MEANINGFUL COMPENSATION IS GIVEN IN OTHER CATEGORIES. BUT WHAT COMES THROUGH CLEARLY IN ALL THEIR SEVERAL APPROACHES TO US IS THE ROC IMPRESSION THAT THE UNITED STATES IS DISCRIMINATING AGAINST THEM. THE KEY TO THE NEGOTIATIONS IS TO CONVINCE THE ROC THAT WE ARE NOT BEING DISCRIMINATORY AND

THIS, IT WOULD SEEM, DEPENDS ON A QUESTION OF FACT: DID HONG
KONG AND/OR KOREA ACCEPT ROLLBACK (AS WE UNDERSTAND, AT LEAST
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HONG KONG DID) OR, AS THE ROC UNDERSTAND IT, DID THEY ONLY
ACCEPT STANDSTILL?
UNGER

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